

Source: International Environment Reporter: News Archive > 2018 > 01/10/2018 > Europe > Europe: Europe Sees Environmental Regulation Window Before Brexit

**41 INER 10**
**Europe**
**Europe Sees Environmental Regulation Window Before Brexit**


By Rick Mitchell, Jabeen Bhatti, Ali Qassim, Marcus Hoy, Brett Allan King, Bryce Baschuk, Natalia Suvorova, and Bogdan Turek

European nations will work on clean energy policies in 2018 as part of an effort to address climate change, while the European Union will need to weigh future funding for a variety of environment and climate initiatives.

Bloomberg Environment's 2018 Outlook series continues with a roundup of what to expect next year in Europe:

**EUROPEAN UNION**

The continuing Brexit negotiations and approaching European Union elections in 2019 will fuel debate about the future of the 28- (soon to be 27-) nation alliance. And that could provide extra motivation for the EU's executive body to push ambitious steps on environmental policy in the coming year.

"There is a shrinking window of opportunity for action since European decision-making processes are complex and time consuming," Celine Charveriat, executive director of the Institute for European Environmental Policy, told Bloomberg Environment.

European Commission President Jean-Claude Juncker recently outlined the commission's 16-month work program, setting priorities for environmental, climate, and energy policies through the end of 2018. Goals include the creation of a monitoring program for the so-called circular economy where resources are used in a more sustainable manner, a proposal to regulate the reuse of wastewater, and potential changes to the drinking water directive to support sustainable water management and improve safety.

An "overarchingly present" theme for 2018 will be how future environment and climate initiatives are funded, Gauthier van Thuyne, a Brussels-based Partner at Allen & Overy LLP, told Bloomberg Environment.

The commission is due to propose a new multiyear framework for the EU's post-2020 spending priorities in May. So European institutions will begin discussions to identify their own post-2020 funding priorities for issues including environmental sustainability, the EU Common Agricultural Policy, climate change, and biodiversity, according to the Institute for European Environmental Policy.

Proposed in December 2015, the commission's package of circular economy directives calls for EU countries by 2030 to recycle 65 percent of household waste, including batteries and end-of-life vehicles.

"The circular economy package is a rare case where [the commission] sees something that is not purely environmental and could be a driver for its new strategy of boosting innovation, jobs and growth," Van Thuyne said. "I see it as a major priority" in 2018.

Marianne Kettunen, deputy head of the Institute for European Environmental Policy's Green Economy Program, told Bloomberg Environment that the EU "has potential for becoming the world leader in terms of innovation for new technologies and the creation of new supply chains and businesses linked with the circular economy,"

Plans for an "upgraded, values-based, sustainable and transparent trade policy" will be launched in 2018, the commission said.

"Given the well-documented impacts of trade on the environment, this communication provides a key opportunity for efforts to further green EU trade policy," the Institute for European Environmental Policy said.

Work will continue on overhauling the EU emissions trading system, with tougher targets and requirements to take effect in 2021 to boost sagging carbon prices. On Nov. 9, 2017, EU member states and Parliament announced a provisional deal for the revision.

The commission's work program said clean energy and climate legislative proposals in 2018 could focus on clean vehicles, common rules for combined transportation of goods, tougher carbon dioxide emissions and fuel-efficiency standards for vehicles, and an initiative to accelerate delivery of an alternative fuels infrastructure.

**Snapshot**

- EU could push ambitious environmental agenda with Brexit looming
- Germany could move on coal withdrawal

—By Rick Mitchell

## GERMANY

Germany's federal elections in September resulted in no clear majority for Chancellor Angela Merkel's Christian Democratic Union, forcing her to attempt a coalition between the pro-business Liberal Democrats and the Green Party.

Hopes were high for comprehensive legislation outlining the nation's withdrawal from coal-powered energy in 2018 with the Greens likely to be in government, environmentalists and analysts told Bloomberg BNA—but after talks fell apart in November, those hopes have been dashed.

Brown coal and lignite contributed 40 percent of Germany's total electricity production in 2016, according to figures from Germany's Federal Ministry for Economic Affairs and Energy. Reluctance to disrupt economic output is one reason Germany is likely to miss its greenhouse gas emissions target for 2020 by as much as 10 percent, according to a study from energy think tank Agora Energiewende.

Despite ambitious targets, greenhouse gas emissions have barely budged since the 1990s, according to the Federal Environment Agency, a fact underscored by the "dieselpgate" emissions manipulation scandal that has rocked German automakers.

"Germany has made some attempts to be more climate friendly, but in the transport sector we haven't seen anything," Sarah Rieseberg, a project manager with Arepo Consult, an energy consultancy firm in Berlin, told Bloomberg Environment.

"There's absolutely zero interest in weakening Germany's industrial base," she added, referring to the German auto industry, which collectively employs some 790,000 people, according to figures from the lower house of the German Parliament, the Bundestag.

And with one in three German drivers still using diesel, there's still no pressure to increase the infrastructure needed to accommodate a full-fledged rollout of electric vehicles, Matthias Lang, an energy attorney and partner with Bird & Bird law firm's Düsseldorf office, told Bloomberg Environment.

"For many if not most it is still technically impossible at this moment in Germany to get a fast-charging station at their house," Lang said. "Nobody really knows how to do that large scale in the grid."

—By Jabeen Bhatti

## UNITED KINGDOM

After years of cuts to low-carbon support programs, the U.K. is poised to develop a raft of new electricity, heating, and transportation policies that could prove a "watershed" for the country as it prepares to leave the European Union, Dustin Benton, policy director of the think tank Green Alliance, told Bloomberg Environment.

Businesses will closely watch how the government develops its much touted Clean Growth Strategy, a road map meant to deliver economic growth while cutting greenhouse gas emissions.

"Energy conservation and energy efficiency has been in something of a holding pattern in the past year," said Frank Gordon, policy manager at the Renewable Energy Association, which speaks for 500 firms, including multinationals. But he said the push for efficiency could pick up as the Clean Growth Strategy gives "some renewed impetus around climate change."

Businesses also should watch out for a long-delayed 25-year plan for nature, setting out how the U.K. will improve its biodiversity and cut the environmental impact of resource use, Benton said.

The Department for Environment, Food and Rural Affairs said it expects to unveil details of the long-term management plan for forests and urban green spaces, rivers, wetlands and oceans early in 2018.

"Significant investment will be needed from the private sector to improve the state of the U.K.'s natural environment," said Nick Molho, executive director of the Aldersgate Group, a coalition of business and nongovernmental agencies.

Opportunities include the reform of agricultural subsidy payments to increase focus on sustainable land management following the U.K.'s exit from the European Union—scheduled for March of 2019—and creating an investment fund for priority natural capital projects, he said.

As with other parts of society, the environmental sector has more questions than answers about the impact of Brexit.

Businesses are "still seeking clarity on several key policies, including the U.K.'s position within the EU emissions trading system and the internal energy market," Hannah Richmond, senior energy policy adviser at the influential

business lobby Confederation of British Industry, told Bloomberg Environment.

As companies "look to firm up plans, the U.K. must also consider its own carbon pricing scheme post-Brexit and the role it plays in meeting future emissions targets," she said.

— By Ali Qassim

## **NORDIC NATIONS**

Finland holds the chairmanship of the Arctic Council, a high-level intergovernmental forum, until 2019, and the future of the region's natural resources will be a major topic of discussion.

In general, Finland and its Nordic neighbors oppose any extraction of Arctic resources, though Norway's issuance of new Barents Sea exploration licenses have clouded this stance. Arctic Council decisions lack legal teeth, but any major policy differences could affect international relations.

The Nordic region is a world leader in renewable energy technology, and cross-border cooperation in this field will continue this year. Icelandic companies have expertise in geothermal energy; Denmark is a wind energy superpower, while Sweden and Finland have extensive district heating and cooling networks as well as sizable nuclear power capacities.

Electric cars captured 37 percent of the Norwegian new car market by the end of 2017. Due to take effect in 2018, a legal proposal to tax such cars by weight has been strongly opposed by environmental group Bellona, which said Tesla vehicles will be the hardest hit.

But electric cars will be exempted from re-registration and vehicle insurance taxes in Norway in 2018, while subsidies for the construction of hydrogen refueling stations will be offered.

Sweden's red-green coalition government hopes to push through a new airline tax of between 80 and 430 crowns (\$9 to \$47) per passenger per flight to go toward mitigating greenhouse gas emissions. While the new tax has been strongly criticized by the aviation industry, its supporters point out that the U.K. and Germany are among nations that already levy a form of carbon tax on air travel.

Sweden also is launching new tax breaks for those buying low-emissions vehicles. Municipalities will be given the opportunity to introduce environmental zones that would prevent the most polluting vehicles from entering city centers. And a new "charge-at-home" plan will make it easier and cheaper for households to install their own electric vehicle charging points.

in Denmark, new requirements will take effect requiring retailers and producers to inform customers about a product's expected lifespan and the availability of spare parts.

Meanwhile, Norway will move through in the coming year a draft proposal requiring private businesses and municipalities to recycle all organic and plastic waste.

—By Marcus Hoy

## **FRANCE**

Ecology Minister Nicolas Hulot promises to accelerate production of electricity from wind- and sea-based turbines, as well as solar energy, and to produce heat from biomass.

The government will publish a plan in March on halving the waste going to landfills and recycling 100 percent of plastics by 2025. The road map will set out measures for improving waste management, developing more sustainable products, and promoting sustainable consumption.

France's budget bill included a measure to boost the price of carbon from the current 30.50 euros (\$36) to 44.60 euros (\$56) in 2018, and to gradually reach 86.20 euros (\$103) in 2022. The bill also called for diesel fuel taxes to gradually rise to meet the tax on gasoline by 2022.

France's carbon price applies to such things as fuel and is aimed at changing consumer behavior. It is in addition to the European Union's carbon market, which applies to industrial emissions.

Hulot has asked districts in major cities to prepare by March plans for concrete short-term steps to improve air quality.

And his ministry will conduct a one-year campaign for measuring airborne pesticides, including glyphosate, in 2018.

—By Rick Mitchell

## **SPAIN**

Spain's proposed Climate Change and Energy Transition Law, expected to be enacted early in 2018, "should set the regulatory framework for the coming decade," Iván Albertos, head of industry, energy, and the environment for the Spanish Confederation of Business Organizations, told Bloomberg Environment.

Mario Rodríguez, executive director of Greenpeace Spain, told Bloomberg Environment that the government should use the law as a "good political moment" to adopt aggressive renewable energy goals.

While there is political consensus on the climate change law even as its details continue to be worked out, Spain's complicated balance of power—where a fractured Parliament will require the conservative minority government to negotiate any major policy changes—could slow the approval of other regulations until political stability is restored, Albertos said.

"Also important will be the debate over water use, which in Spain generates huge tension between regions," Rodríguez said.

Eastern Spain in particular suffers from water scarcity and relies on allocations from the country's river basin management plan to provide water for crop irrigation.

The perennial conflict across regional and political divides hasn't been helped by current drought conditions, though Albertos said 2018 could bring a national water pact.

—By Brett Allan King

## **SWITZERLAND**

Switzerland will pivot its national energy strategy away from nuclear power and toward renewable energy resources like wind, solar, geothermal, and biomass.

The first package of Switzerland's Energy Strategy 2050 laws take effect on Jan. 1, 2018, after Swiss voters approved the government's sweeping modernization effort in 2017. The package includes regulations that ban the construction of new nuclear power plants and will help the alpine country increase its energy efficiency and promote renewable energy.

The laws streamline approvals for new wind turbines, encourage geothermal exploration, and call on companies to upgrade most energy consumption monitors to smart meters.

They also permit power companies to charge consumers for efficiency upgrades and provide tax incentives for landlords to invest in energy efficient building improvements. In addition, the Swiss government will impose tighter emission requirements for new automobiles, delivery vans, and light semi-trailers.

In mid-2018 Switzerland's energy regulator will issue an order to decommission the country's 45-year-old Mühleberg I nuclear power plant, effective in 2019. Switzerland will continue to utilize its other four nuclear plants after Swiss voters rejected an initiative to shut them down before the end of 2017.

Switzerland is home to world's oldest nuclear power plant, the 48-year old Beznau I, which has been offline since 2015, due to repairs and safety inspections.

—By Bryce Baschuk

## **RUSSIA**

Land disposal of scrap metal, parts containing mercury, and 65 other types of solid waste is banned in Russia starting Jan. 1. And in a year, the ban will be extended to cardboard packaging, automobile tires, plastic, and glass containers.

By 2021, land disposal for household and office equipment, batteries, cables, and wires, as well as industrial devices like ATMs and freezers, also will be banned.

Car manufacturers and importers in Russia could see a 15 percent increase in car recycling fees. The measure is part of a draft federal budget for 2018-2020.

The government also could require companies to reduce air pollution during unfavorable weather conditions. The measure could be tested in Chelyabinsk, one of Russia's industrial-heavy cities, before officials decide on wider adoption.

Russia's ratification of the Paris agreement on climate change may depend on the partial lifting of the economic sanctions imposed by the U.S. and Europe in 2014 after Russia annexed Crimea and backed Ukrainian rebel fighters.

—By Natalia Suvorova

## **POLAND**

Construction begins in 2018 on Poland's major water project, a mile-long canal across the Vistula Spit on the Baltic Sea. The \$177 million shipping and travel canal is slated to be completed in 2020.

The canal would revitalize the operation of the port of Elblag, according to Maritime Economy and Inland Navigation Minister Marek Grobarczyk. But environmental groups say it would violate European Union bird protection laws.

Poland is partnering with South Korean company LG Chem Ltd. to build Europe's largest lithium car battery plant in Kobierzyce in southwestern Poland. The plant is expected to be completed in the second half of 2018 and make 100,000 batteries annually. Poland had 550 registered electric vehicles on its roads in 2016.

Poland will host the the United Nations' annual international climate change conference in late 2018 in the industrial city of Katowice.

—By Bogdan Turek

*This story is part of a Bloomberg Environment series on issues to look for in 2018. We're publishing these Outlook articles on a wide range of topics throughout December.*

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